

2.0 PURPOSE AND NEED FOR THE PROPOSED PROJECT

This chapter describes the purpose of the Proposed Project and the underlying needs that will be addressed by the Project, as summarized from Longhorn Partners Pipeline (Longhorn), March 30, 1999, “Purpose and Need” Document.

2.1 PURPOSE AND NEED OF THE PROPOSED PROJECT

The purpose of the proposed operation of the Longhorn Pipeline System (System) is to transport refined petroleum products from the GATX Terminal at Houston, which is connected to refineries from Corpus Christi, Texas, to Lake Charles, Louisiana, to third-party terminal facilities in Odessa and to a newly constructed terminal in El Paso with further connections to third-party common carrier pipelines with access to markets in New Mexico and Arizona.

2.2 UNDERLYING NEEDS

The Proposed Project will address two underlying needs in the regions that would receive products shipped by Longhorn: the need for more competitive motor fuel prices and the need to improve air quality.

2.2.1 Competitive Fuel Prices and Economic Benefits

The System will increase competition in growing markets in west Texas, Arizona, and New Mexico that have traditionally been isolated from any significant competition. Historically, the motor fuel consumers in west Texas, Arizona, and New Mexico have endured materially higher gasoline prices because they have not had access to more efficient and lower-cost refineries such as those located in the Gulf Coast area. Lower prices for petroleum products in west Texas, Arizona, and New Mexico are expected with operation of the System.

Longhorn’s ability to achieve its stated purpose and need is dependent upon a project cost that will enable Longhorn to provide common carrier shipments of petroleum products at a tariff low enough to permit delivery of competitively priced, cleaner-burning products to consumers in the El Paso Gateway Market (i.e., connections via other pipelines to New Mexico and Arizona and via tanker trucks to Mexico – Longhorn is a “private for-profit” enterprise). The purchase and conversion of an existing operating pipeline covering a majority of the length of the System was critical to meeting this need.

The creation of new jobs and the savings to consumers will yield economic benefits. The projected savings to consumers in the El Paso and Permian Basin areas as a result of the lower gasoline prices is \$138.9 million in personal income during the first five years of the project and \$20.2 million annually thereafter. The west Texas communities served by the pipeline would also benefit from the estimated 863 permanent jobs resulting from the economic stimulus Longhorn provides the region. A significant proportion of the projected jobs is likely to be held by Hispanics and other local populations (Perryman Group, 1998). Similar results are expected in New Mexico and Arizona. The pipeline is expected to add \$360 million to the Texas state economy in the first five years of operation and nearly \$40 million annually thereafter. Employment created in Texas by the proposed project is estimated at 7,700 person-years during the first five years of operation and 1,006 permanent jobs thereafter (Perryman Group, 1998). In Arizona, the pipeline is expected at project maturity to add \$237 million to the state economy annually and to add 8,165 permanent jobs thereafter (Perryman Group, 1998).

2.2.2 Improved Air Quality

According to Longhorn, another important purpose of (and benefit from) the operation of the System is to provide cleaner-burning fuels to the El Paso Gateway Market, resulting in cleaner air in key airsheds throughout the Southwest. Gulf Coast refiners can produce the cleaner-burning fuels that are needed in markets such as El Paso; Phoenix; Tucson; Juarez, Mexico; and other cities that impact air quality in the Southwest. These markets need greater access to the new cleaner-burning fuels, and the System will ensure access to the necessary supplies of cleaner-burning fuels that are required to serve these markets.

The El Paso Gateway Market is currently served by California refineries and inland refiners in Texas and New Mexico. Demand for refined products in the markets currently served by California refineries, when combined with the demand for refined products in the El Paso Gateway Market, is expected to increase by 25,000 barrels per day in 1999 and by an additional 25,000 barrels per day for each year thereafter. The existing capacity of the current suppliers to the El Paso Gateway Market is not adequate to meet this increasing demand for refined products and the more stringent product specifications which are being imposed in these markets.

2.3 REFERENCES

Longhorn Partners Pipeline, "Purpose and Need," March 1, 1999. Document sent via e-mail from Longhorn to Radian. (Doc.ENDAL:26893. 3-29694-00007).

The Perryman Group, *The Impact of Longhorn Partners Pipeline of Economic Activity in Texas and Selected Regions*, Waco, Texas, June 1998.

TABLE OF CONTENTS

2.0	<u>PURPOSE AND NEED FOR THE PROPOSED PROJECT</u>	2-1
2.1	PURPOSE AND NEED OF THE PROPOSED PROJECT	2-1
2.2	UNDERLYING NEEDS	2-1
2.2.1	Competitive Fuel Prices and Economic Benefits	2-1
2.2.2	Improved Air Quality	2-2
2.3	REFERENCES.....	2-2